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United Nations

United Nations Institute for Training and Research

Financial report and audited financial statements

for the biennium ended 31 December 2007

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-third Session
Supplement No. 5D (A/63/5/Add.4)

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Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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[31 March 2008]

Pursuant to financial regulation 6.5, I have the honour to submit the 2006-2007 biennial accounts of the United Nations Institute for Training and Research as at 31 December 2007, which I hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Carlos **Lopes**
Executive Director
United Nations Institute for Training and Research

The Chairman of the Board of Auditors
United Nations
New York

[30 June 2008]

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Institute for Training and Research for the biennium ended 31 December 2007.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France and
Chairman, United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2007

Introduction

1. The Executive Director has the honour to submit herewith the financial report on the accounts of the United Nations Institute for Training and Research (UNITAR) for the biennium ended 31 December 2007.

Statement I
Income and expenditure and changes in reserves and fund balances

General Fund

2. Total income for the biennium increased by 22 per cent, from $3,213,966 in the previous biennium to $3,925,231. That increase was due mainly to a one-time contribution from the United Nations regular budget of $242,400 and an increase of $354,139 in programme support income generated by the augmentation of activities and consequent expenditure under the Special Purpose Grants Fund.

3. Total expenditure for the biennium increased by 69 per cent, from $2,378,176 to $4,015,433. The increase in expenditure is attributable largely to the restructuring process within UNITAR. Administrative services have been centralized in such a way that the relevant costs previously shared with the Special Purpose Grants Fund are now charged to the General Fund. Furthermore, following the creation of the Resource Mobilization Section and the Research Department in accordance with the approved strategic plan, associated costs are also being incurred within the General Fund.

4. The reserves and fund balance at the end of December 2007 decreased to $1,183,786, from $1,453,526 at the end of the previous biennium. This decrease is due partly to the adjustment resulting from full recognition of post-retirement liabilities for unused vacation days and repatriation benefits.

Special Purpose Grants Fund

5. Total income for the biennium decreased by $1,762,548, from $27,179,689 in 2004-2005 to $25,417,141 in 2006-2007. The decrease is due to timing, as several grants totalling over $2 million were received in December 2005, causing 2005 income to be higher than would otherwise have been the case.

6. Total expenditures for the biennium 2006-2007 increased by 19 per cent, to $25,481,738 from $21,404,797 at the end of the previous biennium, resulting in a shortfall of income over expenditure of $64,597. The increase in expenditure is attributable mainly to the implementation of projects in the current biennium for which contributions were received in the previous biennium and to the steady growth in the number of projects implemented by UNITAR.

7. The reserves and fund balance at the end of December 2007 had decreased to $10,754,662, from $11,363,008 at the end of the previous biennium, due mainly to the adjustment resulting from full recognition of post-retirement liabilities for unused vacation days and repatriation benefits.

Activities financed by the United Nations Development Programme

8. Total expenditures against the approved allocation from the United Nations Development Programme decreased from $979,236 to $581,930, reflecting a reduction in the number of projects.

After-service health insurance

9. For the biennium 2006-2007 the Institute has reflected its accrued liabilities for after-service health insurance on its statement of assets, liabilities and reserves and fund balances. The Institute's total accrued liability for after-service health insurance, on the basis of an actuarial valuation, amounted to $2,371,000 as at 31 December 2007. The liability of $1,857,000 in the previous period was recorded as a one-time adjustment to the reserves and fund balances, and the net increase of $525,976 during the biennium 2006-2007 was recorded as a non-budgeted accrued expense.

Statement II
Assets, liabilities and reserves and fund balances

10. As from the beginning of 2006, the Institute began to participate in the United Nations offices away from Headquarters cash pools managed by the United Nations Treasury. As at 31 December 2007, the General Fund and the Special Purpose Grants Fund had shares of the offices away from Headquarters cash pools in the amounts of $1,334,365 and $11,561,613, respectively. The total assets of the Institute as at 31 December 2007 amounted to $15,691,913, an increase of $331,704 from the end of the previous biennium.

11. As at 31 December 2007, the total liabilities of the Institute had increased from $2,543,675 to $6,094,441, due primarily to the full recognition of all end-of-service and post-retirement liabilities, which amounted to $3,567,132, comprising $458,663 for unused vacation days, $737,469 for accrued repatriation benefits and $2,371,000 for after-service health insurance.

Statement IV
Status of expenditures against approved budget

12. Statement IV shows the status of General Fund expenditure against the approved budget for the biennium 2006-2007. Total expenditures during the biennium amounted to $4,015,433, which was within the approved budget of $4,062,000.

Annex

Supplementary information

1. The present annex includes an explanation of the double-counting contained in the financial statements, along with information the Executive Director is required to report.

Double-counting in the financial statements

2. The Institute's financial statements contain elements of double-counting of income and expenditure totalling $2,591,475. These amounts have been eliminated from the income and expenditure figures in statement I. Similarly, double-counting of inter-fund indebtedness totalling $11,976 has been eliminated from the total asset and liability figures in statement II.

Write-off of losses of cash and receivables

3. In accordance with financial rule 106.8, accounts receivable totalling $2,971 relating to travel claims under the Special Purpose Grants Fund were written off during the biennium 2006-2007.

Write-off of losses of property

4. There was no write-off of losses of property under financial rule 106.9.

Ex gratia payments

5. There were no ex gratia payments during the biennium 2006-2007.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements of the United Nations Institute for Training and Research (UNITAR) for the biennium ended 31 December 2007. The audit was carried out to review the financial transactions and operations at its Headquarters in Geneva.

The Board also addressed the special requests made by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

The Board issued an unqualified opinion on the financial statements for the period under review, as reflected in chapter III.

The Board noted a major restructuring process carried out within UNITAR during the biennium following the appointment of a new Executive Director in March 2007. A new strategic reform plan was formulated, which significantly changed the staff structure and programme management.

Coordination with internal audit

In planning its audit, the Board reviewed the coverage of the internal audit conducted on the operations of UNITAR so as to avoid duplication of effort and to assess the extent to which reliance could be placed on the work of the Office of Internal Oversight Services.

Follow-up of previous recommendations

In response to the request of the Advisory Committee on Administrative and Budgetary Questions and in line with paragraph 7 of General Assembly resolution 59/264 A, the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated the financial periods in which such recommendations were first made.

The Board noted the efforts made by UNITAR in the implementation of previous recommendations. Out of the 22 previous recommendations, 11 were fully implemented, 10 were partially implemented, and 1 was not implemented.

Overall financial overview

For the period under review, total income was $27.33 million, compared with $29.14 million for the previous biennium, a decrease of 6.19 per cent. Total expenditure amounted to $27.49 million, compared with $22.52 million for the previous biennium, an increase of 22.03 per cent. This resulted in a shortfall of income over expenditure (before non-budget expenses and provision for end-of-service liabilities) of $154,799, compared with the previous biennium's surplus of $6.61 million. Reserves and fund balances totalled $9.56 million, compared with $12.82 million for the previous biennium, a decrease of 25.44 per cent.

Key financial ratios

The Institute's key financial ratios showed substantial declines when compared with those of the previous biennium. As at 31 December 2007, its cash over total liabilities ratio was 2.1:1, down from 5.3:1 in 2004-2005. Moreover, its total assets over total liabilities ratio was 2.6:1, down from 6.0:1 in 2004-2005. Contributing to the decline in the ratios was the new accounting policy of recognizing end-of-service liabilities on the face of the financial statements.

End-of-service liabilities, including after-service health insurance

All obligations relating to end-of-service liabilities, including those related to after-service health insurance, were now included in the financial statements, pursuant to General Assembly resolution 61/264. The financial statements for the period under review reflected end-of-service liabilities of $3.57 million. Of this amount, $2.37 million represented after-service health insurance, $458,663 pertained to unused vacation leave credits and $737,469 represented repatriation benefits. The bulk of end-of-service liabilities was recorded through adjustments to reserves and fund balances.

Programme management

For the biennium under review, UNITAR was not in full compliance with the requirements of results-based budgeting, especially with regard to indicators of achievement and outputs, as these were not measurable, nor did they include baselines and targets. Hence, the monitoring and evaluation of its targeted accomplishments were not adequate. However, after recognizing the value of results-based budgeting for monitoring and evaluation purposes, UNITAR integrated the results-based budgeting framework in its 2008-2009 programme budget.

Write-offs and disposals

UNITAR reported two write-offs of losses of cash and receivables. The receivable of $2,971 due from a consultant in 2003 was considered irrecoverable and the pledge of $1,000 made by a Member State at the 2005 pledging conference was considered uncollectable.

Recommendations

The Board has made a number of recommendations based on its audit. The main recommendations are set out in paragraph 8 of the present report.

A. Introduction

1. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Institute for Training and Research (UNITAR) and has reviewed its operations for the financial period from 1 January 2006 to 31 December 2007 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNITAR as at 31 December 2007 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the United Nations Financial Regulations and Rules. The audit also included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNITAR operations under financial regulation 7.5. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNITAR operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report to it accordingly. Those matters are addressed in the succeeding paragraphs.

4. The present report addresses the specific requests by the Advisory Committee on Administrative and Budgetary Questions (see A/60/7/Add.4) to follow up on the instructions regarding geographical distribution of staff; the fund-raising activities of UNITAR; and measures relating to actual and potential instances of fraud.

5. The Board continued to report the results of audits to UNITAR in the form of audit observation memorandums and a management letter containing detailed observations and recommendations. This practice allowed for ongoing dialogue with the UNITAR administration.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the UNITAR administration, whose views have been appropriately reflected in the report.

2. Coordination with internal audit

7. In the planning of its audit, the Board reviewed the coverage of the internal audit conducted on the operations of the Institute so as to avoid duplication of effort and to assess the extent to which reliance could be placed on the work of the Office of the Internal Oversight Services.

3. Main recommendations

8. The Board's main recommendations are that UNITAR:

(a) **Monitor the implementation of fund-raising strategies to fully address the problem of funding (para. 21);**

(b) **Evaluate the fund-raising strategies by obtaining feedback from donors and users on the effectiveness of the programmes (para. 21);**

(c) **Reconsider disclosure of the "balances relating to projects funded by donors" as a separate line item under the reserves and fund balances portion of statement II, as this will enhance the understandability of the financial statements (para. 30);**

(d) **Reconsider the disclosure of the statement of cash flows to include its share in the cash pool (para. 35);**

(e) **Resolve the issue of overlapping financial and accounting functions (para. 47);**

(f) **Revisit its arrangement on the status of the UNITAR Programme of Correspondence Instruction as a service provider (para. 59);**

(g) **Evaluate adequately the accomplishment of targeted programmes and projects at least once a year (para. 65).**

9. The Board's other recommendations appear in paragraphs 38, 42, 52, 55, 60 and 74. The responses of UNITAR to the Board's observations and recommendations are reflected in the body of the report, where appropriate.

B. Detailed findings and recommendations

1. Follow-up of previous recommendations

10. In accordance with General Assembly resolution 48/216 B, the Board reviewed the actions taken by UNITAR to implement the recommendations made in its report for the biennium ended 31 December 2005.

11. The Board noted an improvement in the implementation by UNITAR of the audit recommendations. Of the total of 22 recommendations made for the previous biennium, 11 (50 per cent) were fully implemented, 10 (45 per cent) were partially implemented, and 1 (5 per cent) was not implemented.

12. UNITAR commented that it has not implemented the Board's recommendation to comply with ISO 17799 because the costs involved are far in excess of any potential benefit. This is discussed in more detail in paragraphs 53 to 55.

Ageing of previous recommendations

13. The Board also evaluated the ageing of its recommendations for previous bienniums that were partially or not yet implemented, as requested by the Advisory Committee on Administrative and Budgetary Questions (A/60/387, para. 12). The financial periods in which such recommendations were first made are indicated in the annex to the present chapter.

14. Of the 10 partially implemented recommendations, 7 relate to the biennium 2002-2003 and 3 to the biennium 2004-2005. The one unimplemented recommendation relates to the biennium 2002-2003.

2. Financial overview

Funds maintained by the Institute

15. The financial statements of UNITAR relate to four funds: the General Fund, the Special Purpose Grants Fund, the United Nations Development Programme (UNDP) fund, and the after-service health insurance fund. The General Fund finances UNITAR administrative expenses and the core training programme for diplomats. The Special Purpose Grants Fund and the UNDP fund finance specific projects from earmarked contributions, and the after-service health insurance fund represents the reserve for after-service health insurance.

Key financial indicators

16. The key financial ratios of UNITAR, as shown in table II.1, showed substantial declines when compared with the previous biennium. During the biennium under review, it registered a cash over total liabilities ratio of 2.1:1, down from 5.3:1 in 2004-2005. It also registered a total assets over total liabilities ratio of 2.6:1, down from 6.0:1 in 2004-2005. Contributing to the decline in the ratios was the new accounting policy of recognizing end-of-service liabilities on the face of the financial statements.

Table II.1
Ratios of key financial indicators

Description of ratio	*Biennium ended 31 December*		*Component of 2007 ratio*[a] *(millions of United States dollars)*
	2005	*2007*	
Cash/total liabilities[a]	5.3	2.1	12.9/6.0
Total assets/total liabilities[b]	6.0	2.6	15.7/6.1
Accounts receivable/total assets[c]	0.08	0.13	2.0/15.7
Unliquidated obligations/total assets[d]	0.10	0.13	2.0/15.7

[a] A high indicator reflects the availability of sufficient cash to settle debts.
[b] A high indicator reflects a positive solvency situation.
[c] A low indicator depicts a healthy financial situation.
[d] A low indicator indicates that obligations are settled regularly.

17. There was a decrease in total income of $1.8 million and an increase in expenditure of $4.96 million. The reserves and fund balance also decreased by $3.26

million owing to the provision for end-of-service liabilities amounting to $3.57 million.

3. Statement of income and expenditure

18. Voluntary contributions are the main source of income for UNITAR since it does not receive any regular budget funding from the United Nations. For the period under review, total voluntary contributions were $21.45 million, compared with $24.59 million in the previous biennium, a decrease of $3.14 million. UNITAR was also highly dependent on the programme support income generated by special purpose grants. Programme support income during the biennium was $2.59 million, while interest income was $1.36 million. Comparative income and expenditure figures are shown in table II.2.

Table II.2
Financial situation of the United Nations Institute for Training and Research as at 31 December 2007
(United States dollars)

	2004-2005	*2006-2007*	*Increase (decrease)*
Total income	29 135 555	27 332 827	(1 802 728)
Total expenditure	22 524 873	27 487 626	4 962 753
Excess (shortfall) of income over expenditure	6 610 682	(154 799)	(6 765 481)
Reserves and fund balance, end of biennium	12 816 534	9 555 472	(3 261 062)

19. Total income for the period under review amounted to $27.33 million, while total expenditures amounted to $27.49 million, giving a shortfall of income over expenditure of $154,799. The shortfall was caused by a decrease in voluntary contributions and an increase in other expenses.

20. UNITAR explained that in December 2007, its Board of Trustees had approved the implementation of four strategies to broaden the global funding base to meet the resource needs. The strategies are: (a) to develop strong and sustainable relations with strategic donor countries; (b) to strengthen the position of UNITAR within the United Nations system; (c) to develop a more systematic approach or mechanism with the private sector and donor foundations; and (d) to obtain a contribution from the United Nations regular budget. With these strategies, the Executive Director envisioned increasing UNITAR income by 29 per cent in the biennium 2008-2009. Further, UNITAR explained that the nature of its funding requires it to spend what it gets progressively from donors and not to build reserves; hence the decrease in reserves.

21. **The Board recommends that UNITAR: (a) monitor the implementation of the fund-raising strategies to fully address the problem of funding; and (b) evaluate the fund-raising strategies by obtaining feedback from donors and users on the effectiveness of the programmes.**

4. Statement of assets, liabilities and reserves and fund balances

22. The total assets of UNITAR were $15.69 million, compared with $15.36 million in the preceding biennium, representing a slight increase of $331,704. Total liabilities were $6.09 million, compared with $2.54 million in the preceding biennium, constituting a significant increase of $3.55 million. The total reserves and fund balance was $9.56 million, compared with $12.82 million in the preceding biennium, representing a decrease of $3.26 million. The increase in liabilities and the decrease in the reserves and fund balance were primarily the result of the recognition of end-of-service liabilities in the books of accounts.

23. In 2006, UNITAR commenced its participation in the offices away from Headquarters cash pool and had a $12.90 million balance in the pool as at the end of the biennium. The cash pool is being managed by the United Nations Office at Geneva.

End-of-service liabilities, including after-service health insurance

24. In relation to the financial reporting of end-of-service liabilities in accordance with General Assembly resolution 61/264, UNITAR changed the presentation of end-of-service liabilities this biennium from disclosure in the notes to the financial statements to accounting and presentation on the face of the financial statements.

25. The financial statements for the period under review reflected end-of-service liabilities of $3.57 million. Of this amount, $2.37 million represented after-service health insurance, $458,663 pertained to unused vacation leave credits, and $737,469 represented repatriation benefits.

26. The determination of UNITAR liability for after-service health insurance was based on the actuarial valuation undertaken by a consulting actuary. The liabilities as at 31 December 2007 were calculated on the basis of: (a) census data provided by UNITAR and premium contribution data provided by the United Nations; (b) actual retiree claims experience for health-care plans in Geneva; (c) various economic and actuarial assumptions; and (d) generally accepted actuarial methods and practices. The Board relied on the results of the valuation done by the consulting actuary and the Board's own procedures.

Balances relating to projects funded by donors

27. Paragraph 55 of the United Nations system accounting standards states: "Reserves and fund balances include, amongst others, the following items: (i) operating reserves; (ii) other reserves; (iii) balances relating to projects funded by donors; (iv) working capital funds; (v) capital funds relating to land and buildings; (vi) surplus and deficits."

28. In the UNITAR statement of assets, liabilities and reserves and fund balances for the biennium ended 31 December 2007 (statement II), the Board noted that the reserves and fund balances portion included only two line items: "operating reserves" and "cumulative surplus". Further review disclosed that the said total was actually composed of: (a) operating reserves; (b) balances relating to projects funded by donors; and (c) cumulative surplus.

29. In corresponding statement for the previous biennium, "balances relating to projects funded by donors" was presented as a separate line item. During the

biennium under review, however, that item was aggregated with the line item "cumulative surplus". Presenting these balances under the line item "cumulative surplus" gives the impression that these are purely surplus funds, when they are not, since they are funds earmarked for specific projects.

30. **The Board recommends that UNITAR reconsider disclosure of the "balances relating to projects funded by donors" as a separate line item under the reserves and fund balances portion of statement II, as this will enhance the understandability of the financial statements.**

31. UNITAR commented that the classification "balances relating to projects funded by donors" is used only for the technical cooperation trust funds. The Board, however, is of the view that such classification should also be applied to the Special Purpose Grants Fund, since its funds are specifically earmarked for training programmes.

5. Statement of cash flows

32. UNITAR cash and term deposits account amounted to only $9,886 as at the end of the biennium under review, compared with $13.59 million in the preceding biennium, a decrease of $13.58 million. The significant decrease was brought about by the participation of UNITAR in the offices away from Headquarters cash pool. Since it is the United Nations Office at Geneva that performs the financial and accounting functions for UNITAR, the latter's operating expenses were paid by the United Nations Office at Geneva and were subsequently charged against the cash pool balance of UNITAR.

33. As reported in its statement of assets, liabilities and reserves and fund balances as at 31 December 2007 (statement II), the UNITAR cash pool balance of $12.90 million was composed of: (a) cash and term deposits of $7.01 million; (b) short-term investments of $3.57 million; (c) long-term investments of $2.26 million; and (d) accrued interest receivable of $52,545.

34. In the UNITAR statement of cash flows for the biennium ending 31 December 2007 (statement III), its share in the offices away from Headquarters cash pool was not considered in the determination of the cash balance as at the end of the biennium. The Board is of the view that cash and term deposits as well as short-term investments are in the nature of cash and cash equivalents, and hence should have been reflected as such in the statement of cash flows.

35. **The Board recommends that UNITAR reconsider the disclosure of the statement of cash flows to include its share in the cash pool.**

6. Progress towards the implementation of the International Public Sector Accounting Standards

36. The United Nations Office at Geneva is currently performing all the necessary financial and accounting functions for UNITAR. Hence, the implementation of the International Public Sector Accounting Standards at UNITAR is primarily the concern of the United Nations Secretariat.

7. Procurement

Procurement of low-value items

37. The Board noted that UNITAR did not assess whether the best possible value was obtained in the procurement of low-value items. There were no documents to establish that price quotations had been requested and assessed, as required under rule 9.4.1 of the United Nations Procurement Manual, to ensure that the goods received and the services rendered were obtained at the best price.

38. **The Board recommends that UNITAR solicit prices in the procurement of low-value items in accordance with rule 9.4.1 of the United Nations Procurement Manual.**

39. UNITAR commented that the matter would be covered in the review of the procurement system by its Administration and Finance Section.

8. Asset management

40. Non-expendable property consists of property and equipment valued at $1,500 or more per unit at the time of purchase and with a serviceable life of five years or more. As disclosed in note 6 to the financial statements, the value of non-expendable property holdings as at 31 December 2007 amounted to $512,015.

41. The Board noted deficiencies in the monitoring and control of non-expendable properties such as: (a) locations of properties as stated in the inventory report differing from actual locations; (b) users as stated in inventory report differing from the actual users; (c) some non-expendable property issuances not being covered by property receipts.

42. **The Board recommends that UNITAR enhance its monitoring and control over non-expendable property in order to improve accountability and operational efficiency.**

43. UNITAR commented that, given its limited staff resources and heavy workload, it had decided to update its property records once a year.

9. Human resources management

Overlapping of functions

44. The UNITAR statute states that "the Controller of the United Nations shall perform all necessary financial and accounting functions for the Institute, including the custody of funds, and shall prepare and certify the biennial accounts showing the status of the Institute's special account". The financial and central support services provided by the United Nations Office at Geneva, at no cost to UNITAR, include programme planning and budget, payroll, other payments, accounting, treasury, travel and visa processing, personnel, medical service, Integrated Management Information System and language training services. These are defined in the memorandum of agreement between the United Nations Office at Geneva and UNITAR dated 19 September 2005.

45. On 30 April 2007, the UNITAR Executive Director established the Institute's own Administration and Finance Section. The terms of reference of the new Section revolve around the areas of finance, budget, administration, security issues and procurement.

46. The Board noted that some of the functions stated in the terms of reference of the Administration and Finance Section overlap with the services provided by the United Nations Office at Geneva as per the memorandum of agreement. These overlapping functions relate largely to the performance of finance and accounting functions. The Board noted that the United Nations Office at Geneva was still performing these functions for UNITAR.

47. **The Board recommends that the issue of overlapping financial and accounting functions be resolved.**

48. UNITAR agreed to amend its memorandum of agreement with the United Nations Office at Geneva as soon as its request for clarification regarding its autonomy was resolved by the Office of Legal Affairs. On the other hand, the Office of Programme Planning, Budget and Accounts believes that should there be any overlapping indicated in the terms of reference of the newly established Administration and Finance Section of UNITAR, then its terms of reference should be amended accordingly, and not the memorandum of agreement between the United Nations Office at Geneva and UNITAR.

Geographical representation

49. The Advisory Committee on Administrative and Budgetary Questions requested the Board to follow up implementation by UNITAR in respect of the issue of geographical representation within the Institute (A/60/7/Add.4, para. 10). Table II.3 presents the geographical distribution of staff for the bienniums 2004-2005 and 2006-2007.

Table II.3
Geographical distribution of United Nations Institute for Training and Research staff as at 31 December 2007

	Biennium 2004-2005		*Biennium 2006-2007*		*Increase (decrease)*
Region of origin	*Number*	*Percentage*	*Number*	*Percentage*	*Number*
Europe	18	48.6	19	51.4	1
North America	8	21.6	6	16.2	(2)
Asia	6	16.2	6	16.2	0
Africa	3	8.1	4	10.8	1
Middle East	1	2.7	1	2.7	0
South America	1	2.7	1	2.7	0
Total	**37**	**100**	**37**	**100**	**0**

50. The Board noted that there was no change in the total number of staff during the biennium. However, the number of staff from North America decreased by two persons, while the number of staff from Europe and from Africa increased by one person each. Thus, there was no significant change in the overall geographical representation of staff during this period.

51. UNITAR informed the Board that, owing to the limited number of staff recruited, it would need more time before the trend could be reversed.

52. **The Board reiterates its previous recommendation that UNITAR continue efforts to achieve a more balanced geographical distribution of staff.**

10. Information technology

53. The recommendation for the previous biennium on the implementation of ISO 17799 (Information technology security techniques — code of practice for information security management) was not implemented. The Executive Director indicated that requiring UNITAR to implement ISO 17799 would be very costly. He added that UNITAR could not afford the cost involved and could not justify the use of donor funds for such an expense. He further stated that ISO 17799 as a form of monitoring would not be considered financially beneficial and was not in line with management policy.

54. The Board, however, is of the view that the implementation of ISO 17799 would prove beneficial to UNITAR as it is embarking on varied activities in the area of information technology, employing a number of innovative methodologies, offering e-learning strategies, webcasting policy seminars and utilizing social networking and other new Web tools.

55. **The Board reiterates its previous recommendation that UNITAR implement ISO 17799.**

11. Programme management

Programme of Correspondence Instruction

56. In its report for the biennium 2004-2005, the Board noted that a memorandum of agreement dated 12 May 2006 had been signed by the Executive Director of UNITAR and the Director of the UNITAR Programme of Correspondence Instruction (POCI). POCI is a not-for-profit organization tasked with the implementation of the UNITAR peacekeeping operations correspondence instruction programme. The memorandum of agreement did not provide the rationale for the payment of an annual overhead fee to UNITAR equal to 5 per cent of the annual revenues of POCI. The Board added that the percentage fee was not justified.

57. The Board recommended that UNITAR, by entering into a contract with POCI, ensure that its legal and financial interests are properly addressed and safeguarded. As at the time of the audit, however, POCI had paid to UNITAR only the amount of $98,449, and this pertained to its total revenue of $1,968,980 in the period from 2004 to 2006. The remittance relating to revenues in 2007 had yet to be received.

58. UNITAR informed the Board that a series of discussions had been held with the Director of POCI in preparation for the integration of POCI operations into UNITAR regular operations. A transition plan was prepared by the Institute, and full integration was targeted for completion by 31 October 2008.

59. **The Board recommends that UNITAR revisit its arrangement on the status of POCI as a service provider.**

60. **The Board further recommends that UNITAR revisit its existing contract with POCI and consider the inclusion of at least the following terms in the new contract: (a) increase in the percentage share of UNITAR (annual overhead fee) in the revenues of POCI; (b) the immediate remittance of the annual overhead fee, in such a way that interest shall be imposed for every month of delay;**

(c) the specification of the period covered by the contract; and (d) the specification of the grounds for the termination of the contract.

61. The UNITAR Executive Director commented that if the transition plan was not accepted by the POCI Director, UNITAR would sever its ties with POCI as a service provider.

Monitoring and evaluation of accomplishments

62. The overall purpose of monitoring and evaluation is the measurement and assessment of performance in order to more effectively manage the outcomes and outputs. In its resolution 55/231 the General Assembly emphasized the need to continue to improve programme evaluation capacities in a manner complementary to the existing evaluation system.

63. UNITAR reported that during the biennium under review it had conducted 354 training programmes benefiting 16,448 participants from 190 countries, in the areas of diplomacy, peace and security, sustainable development and environment, and information and communications technology. It also reported training an average of 50,000 persons per year (52,277 in 2007) in its 22 distance-learning courses under UNITAR POCI. In addition to the delivery of training courses, UNITAR developed new training tools for the use of its target beneficiaries and further explored the application of new training methodologies, such as pilot projects in the area of online-based e-learning in several subject areas.

64. The Board noted that UNITAR provided a narrative presentation and statistical data on what it had accomplished during the biennium 2006-2007, but the evaluation it had conducted to determine whether its activities fulfilled its mandate, goals and planned objectives was inadequate. This was due to the fact that the expected accomplishments of UNITAR in the 2006-2007 programme budget were not expressed in terms of intended changes and benefits, the performance indicators were not clearly linked to expected accomplishments, and the linkages between the expected results and the outputs required to achieve the results were not readily discernible.

65. **The Board recommends that UNITAR evaluate adequately the accomplishment of targeted programmes and projects at least once a year.**

66. UNITAR informed the Board that the strategic reform plan adopted in July 2007 and the results-based budgeting compliant programme budget for 2008-2009 will be used to improve its monitoring and evaluation procedures. In addition, a research department to be headed by a director was established and will be responsible for, among other things, performing the function of monitoring and evaluation.

12. Internal audit findings

67. The Office of Internal Oversight Services conducted an audit of the human resources management at UNITAR in 2006. Among the Office's audit findings were:

(a) The staff selection process at UNITAR was not adequate to ensure that staff members were recruited on the basis of merit, demonstrated competencies and performance;

(b) Performance evaluation was conducted only at the end of two years, instead of being done annually as required by regulations.

68. UNITAR commented that it had already addressed these issues with the establishment of the Human Resources Section and its issuance of a policy on recruitment and performance evaluation. The Board noted the positive response of UNITAR to the issues raised by the Office of Internal Oversight Services.

13. Write-offs and disposals

69. UNITAR informed the Board that there were two write-offs of losses of cash and receivables in accordance with financial rule 106.8. The receivable of $2,971 due from a consultant in 2003 was considered irrecoverable, and the pledge of $1,000 made by a Member State at the 2005 pledging conference was considered uncollectable. No write-off of property in accordance with financial rule 106.9 occurred during the biennium under review.

14. Ex gratia payments

70. UNITAR reported to the Board that there were no ex gratia payments during the period under review.

15. Cases of fraud and presumptive fraud

71. UNITAR reported no case of fraud or presumptive fraud during the biennium 2006-2007.

72. The Board, in its report on the biennium 2002-2003, recommended to UNITAR the adoption of a plan to address the risk of internal corruption and fraud. Fraud awareness and prevention were among the concerns that the Advisory Committee on Administrative and Budgetary Questions requested the Board to follow up on (A/60/7/Add.4, para. 13).

73. The Board noted that UNITAR had not fully implemented the recommendation. Its fraud prevention plan was not yet updated. It had, however, established an investigation committee for post facto transactions and issued a policy on financial disclosure, declaration of interest and impartiality of statements.

74. **The Board reiterates its previous recommendation that UNITAR enhance its guidelines to address the risk of internal corruption and fraud in line with the United Nations fraud prevention plan and policy.**

75. UNITAR commented that all its accounts and authorizations are managed by the United Nations Office at Geneva. Since its delegated procurement authority is only $25,000, it considers such a complex process unnecessary.

C. Acknowledgement

76. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and the staff of the Institute.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
(Chairman, United Nations Board of Auditors)

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa

30 June 2008

Annex

Analysis of the status of implementation of the Board's recommendations for the biennium ended 31 December 2005

Subject	*Corresponding paragraphs in the previous report (A/61/5/Add.4, chap. II)*	*Biennium during which the question was raised for the first time*	*Implemented*	*Partially implemented*	*Not implemented*
Coordinate with the United Nations Office at Geneva, ensure consistency between its relevant accounting records and the financial statements	Para. 28	2004-2005	X		
Disclose the updated valuation of liabilities for after-service health insurance in the notes to financial statements	Para. 31	2000-2001	X		
Adhere to the provision of the statute in respect of budget approval and authorization of expenditure	Para. 37	2004-2005	X		
Ensure that legal and financial interests are properly addressed and safeguarded by the agreement with UNITAR POCI	Para. 42	2004-2005		X	
Assess the adequacy of its resources and staffing level against actual operational needs	Para. 46	2004-2005	X		
Continue efforts to achieve a more balanced geographical distribution of staff	Para. 52	2002-2003		X	
Submit to the Board of Trustees new rules for admission to its core training programme and give further consideration to alternative sources of funding for core training activities	Para. 61	2002-2003	X		
Develop without further delay an appropriate fund-raising strategy to cover the operating costs of the Hiroshima Office for Asia and the Pacific	Para. 64	2004-2005	X		
Adopt a strategic plan reflecting midterm objectives	Para. 67	2004-2005	X		
Continue efforts to include objectives and indicators of achievement in programme and project documents	Para. 72	2004-2005	X		
Monitor output and result indicators	Para. 75	2004-2005		X	
Reconsider the format and content of biennial report of activities	Para. 78	2004-2005	X		
Develop systematic sharing of best practices developed by units and consider harmonizing the format and content of evaluation tools	Para. 81	2004-2005		X	
Establish an evaluation plan and budget in coordination with donors	Para. 84	2004-2005	X		

Subject	*Corresponding paragraphs in the previous report (A/61/5/Add.4, chap. II)*	*Biennium during which the question was raised for the first time*	*Implemented*	*Partially implemented*	*Not implemented*
(a) Review the current information and communications technology function to consider if it is appropriately staffed, (b) improve cooperation with other United Nations organizations to further benefit from system-wide experience and (c) adopt precise terms of reference for its information technology committee	Para. 88	2002-2003		X	
Enhance guidelines on the risk of internal corruption and fraud	Para. 92	2002-2003		X	
Adopt or develop comprehensive policies that address management of the risk of electronic misconduct, in line with United Nations policies and rules	Para. 96	2002-2003		X	
Implement ISO 17799	Para. 98	2002-2003			X
Establish rules and procedures regarding the installation of software on computers and network and monitoring of information technology activity	Para. 101	2002-2003	X		
Assess and prepare information and communications technology strategies	Para. 104	2002-2003		X	
Develop formal policies concerning all aspects of identity management and properly document identification and authentication procedures	Para. 107	2002-2003		X	
Review policy relating to the monitoring of e-mail content, in line with United Nations policies	Para. 109	2002-2003		X	
Total number	**22**		**11**	**10**	**1**
Percentage	**100**		**50**	**45**	**5**

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations Institute for Training and Research (UNITAR) comprising statements numbered I to IV and the supporting notes for the biennium ended 31 December 2007. These financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2007 and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of UNITAR that have come to our notice, or which we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNITAR.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman of the United Nations Board of Auditors

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa

30 June 2008

Chapter IV
Certification of the financial statements

The financial statements of the United Nations Institute for Training and Research for the biennium ended 31 December 2007 have been prepared in accordance with financial rule 106.10.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarification of the financial activities undertaken by the Institute during the period covered by the statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Institute for Training and Research, numbered I to IV, are correct.

(*Signed*) Warren **Sach**
Assistant Secretary-General, Controller

28 March 2008

Chapter V
Financial statements for the biennium ended 31 December 2007

Statement I

United Nations Institute for Training and Research[a]

Statement of income and expenditure and changes in reserves and fund balances for the biennium 2006-2007 ended 31 December 2007

(United States dollars)

		Other activities					
	General Fund	*Special Purpose Grants Fund*	*Activities financed by UNDP*	*After-service health insurance*[b]	*All funds eliminations*	*Total 2007*	*Total 2005*[c]
Income							
Voluntary contributions	864 411	20 585 332	—	—	—	21 449 743	24 587 095
Funds received under inter-organization arrangements	242 400[d]	3 114 648	581 930	—	—	3 938 978	3 832 932
Programme support income	2 591 475	—	—	—	(2 591 475)	—	—
Interest income	131 518	1 232 819	—	—	—	1 364 337	623 310
Other/miscellaneous income	95 427	484 342	—	—	—	579 769	92 218
Total income	**3 925 231**	**25 417 141**	**581 930**	**—**	**(2 591 475)**	**27 332 827**	**29 135 555**
Expenditure							
Staff and other personnel costs	2 928 792	12 678 312	328 321	—	—	15 935 425	13 212 348
Travel	203 543	1 492 745	97 219	—	—	1 793 507	1 860 075
Contractual services	53 641	534 684	(385)	—	—	587 940	708 858
Operating expenses	669 791	814 040	21 339	—	—	1 505 170	1 505 765
Acquisitions	43 098	140 413	5 786	—	—	189 297	217 479
Other	116 568	7 273 175	86 544	—	—	7 476 287	5 020 348
Total direct expenditure	**4 015 433**	**22 933 369**	**538 824**	**—**	**—**	**27 487 626**	**22 524 873**
Programme support costs	—	2 548 369	43 106	—	(2 591 475)	—	—
Total expenditure	**4 015 433**	**25 481 738**	**581 930**	**—**	**(2 591 475)**	**27 487 626**	**22 524 873**
Excess (shortfall) of income over expenditure	**(90 202)**	**(64 597)**	**—**	**—**	**—**	**(154 799)**	**6 610 682**

	General Fund	Other activities: Special Purpose Grants Fund	Other activities: Activities financed by UNDP	After-service health insurance[b]	All funds eliminations	Total 2007	Total 2005[c]
Non-budgeted accrued expenses for end-of-service and post-retirement benefits	—	—	—	(525 976)	—	(525 976)	—
Prior-period adjustments	(31 167)	14 931	—	—	—	(16 236)	114
Net excess (shortfall) of income over expenditure	**(121 369)**	**(49 666)**	**—**	**(525 976)**	**—**	**(697 011)**	**6 610 796**
Savings on, or cancellation of, prior-period obligations	3 091	278 959	—	—	—	282 050	119 562
Other adjustments to reserves and fund balances	(151 462)[e]	(495 500)[f]	—	(1 857 000)[g]	—	(2 503 962)	—
Refund to donors	—	(342 139)	—	—	—	(342 139)	(537 886)
Reserves and fund balances, beginning of period	1 453 526	11 363 008	—	—	—	12 816 534	6 624 062
Reserves and fund balances, end of period	**1 183 786**	**10 754 662**	**—**	**(2 382 976)**	**—**	**9 555 472**	**12 816 534**

[a] See note 3.
[b] See note 4.
[c] Comparative figures have been reclassified to conform to current presentation.
[d] Represents contribution from United Nations regular budget.
[e] Represents accrued liabilities for unused vacation days of $91,688 and for repatriation benefits of $59,774 as at 31 December 2005, respectively. These were previously disclosed in the notes and are now reflected in the financial statements as liabilities.
[f] Represents adjustment for accrued liabilities for unused vacation days of $180,250 and for repatriation benefits of $315,250, in order to fully recognize such liabilities in the financial statements. Previously these liabilities have been partially accrued and funded.
[g] Represents accrued liability for after-service health insurance as at 31 December 2005. This was previously disclosed in the notes and is now reflected in the financial statements as liabilities.

The accompanying notes are an integral part of the financial statements.

Statement II

United Nations Institute for Training and Research[a]

Statement of assets, liabilities, reserves and fund balances as at 31 December 2007

(United States dollars)

		Other activities					
	General Fund	*Special Purpose Grants Fund*	*Activities financed by UNDP*	*After-service health insurance*[b]	*All funds eliminations*	*Total 2007*	*Total 2005*[c]
Assets							
Cash and term deposits	500	9 386	—	—	—	9 886	13 590 299
OAH cash pools[d]	1 334 365	11 561 613	—	—	—	12 895 978	—
Pledged contributions receivable	37 000	—	—	—	—	37 000	27 463
Inter-fund balances receivable	42 351	220 896	344 513	—	(607 760)	—	—
Other accounts receivable	—	1 417 681	—	—	595 784	2 013 465	1 184 556
Deferred charges	213 554	522 030	—	—	—	735 584	557 891
Total assets	**1 627 770**	**13 731 606**	**344 513**	**—**	**(11 976)**	**15 691 913**	**15 360 209**
Liabilities							
Contribution received in advance	42 000	—	—	—	—	42 000	12 463
Unliquidated obligations — current period	67 991	1 214 948	4 000	—	—	1 286 939	1 036 896
Unliquidated obligations — future period	213 554	506 237	—	—	—	719 791	548 944
Inter-fund balances payable	—	—	—	11 976	(11 976)	—	—
Payable to funding source	—	—	338 337	—	—	338 337	423 800
Other accounts payable	976	179 090	2 176	—	—	182 242	521 572
End-of-service and post-retirement liabilities	119 463[e]	1 076 669[f]	—	2 371 000	—	3 567 132	—
Total liabilities	**443 984**	**2 976 944**	**344 513**	**2 382 976**	**(11 976)**	**6 094 441**	**2 543 675**
Reserves and fund balances							
Operating reserves	283 702	—	—	—	—	283 702	188 404

		Other activities					
	General Fund	*Special Purpose Grants Fund*	*Activities financed by UNDP*	*After-service health insurance*[b]	*All funds eliminations*	*Total 2007*	*Total 2005*[c]
Cumulative surplus (deficit)	900 084	10 754 662	—	(2 382 976)	—	9 271 770	12 628 130
Total reserves and fund balances	**1 183 786**	**10 754 662**	**—**	**(2 382 976)**	**—**	**9 555 472**	**12 816 534**
Total liabilities and reserves and fund balances	**1 627 770**	**13 731 606**	**344 513**	**—**	**(11 976)**	**15 649 913**	**15 360 209**

[a] See note 3.
[b] See note 4.
[c] Comparative figures have been reclassified to conform to current presentation.
[d] Represents share of United Nations offices away from Headquarters (OAH) cash pools and comprises cash and term deposits of $7,010,846, short-term investments of $3,568,926 (market value $3,569,805), long-term investments of $2,263,661 (market value $2,262,025) and accrued interest receivable of $52,545.
[e] Represents total accrued liabilities for unused vacation days of $48,205 and for repatriation benefits of $71,258, respectively. See note 4 (d).
[f] Represents total accrued liabilities for unused vacation days of $410,458 and for repatriation benefits of $666,211, respectively. See note 4 (d).

The accompanying notes are an integral part of the financial statements.

United Nations Institute for Training and Research[a]

Statement of cash flows for the biennium 2006-2007 ended 31 December 2007

(United States dollars)

		Other activities					
	General Fund	*Special Purpose Grants Fund*	*Activities financed by UNDP*	*After-service health insurance*[b]	*All funds eliminations*	*Total 2007*	*Total 2005*
Cash flows from operating activities							
Net excess (shortfall) of income over expenditure (statement I)	(121 369)	49 666	—	(525 976)	—	(697 011)	6 610 796
(Increase) decrease in pledged contributions receivable	(9 537)	—	—	—	—	(9 537)	(23 463)
(Increase) decrease in inter-fund balances receivable	(18 508)	(220 896)	118 129	—	121 275	—	—
(Increase) decrease in other accounts receivable	26 751	(705 203)	450	—	(150 907)	(828 909)	(1 078 772)
(Increase) decrease in deferred charges	(213 554)	35 861	—	—	—	(177 693)	(557 891)
(Increase) decrease in receivable from funding source	—	—	—	—	—	—	443 678
Increase (decrease) in payable to funding source	—	—	(85 463)	—	—	(85 463)	423 800
Increase (decrease) in contributions received in advance	29 537	—	—	—	—	29 537	12 463
Increase (decrease) in accounts payable	—	—	(8 000)	—	—	(8 000)	—
Increase (decrease) in inter-fund balances payable	—	(41 608)	—	11 976	29 632	—	—
Increase (decrease) in unliquidated obligations	232 091	213 915	(25 116)	—	—	420 890	850 715
Increase (decrease) in other accounts payable	954	(332 284)	—	—	—	(331 330)	41 179
Increase (decrease) in end-of-service and post-retirement liabilities	119 463	1 076 669	—	2 371 000	—	3 567 132	—
Less: interest income received	(131 518)	(1 232 819)	—	—	—	(1 364 337)	(623 310)
Net cash flows from operating activities	**(85 690)**	**(1 256 031)**	**—**	**1 857 000**	**—**	**515 279**	**6 099 195**
Cash flows from investing activities							
(Increase) decrease in cash pools	(1 334 365)	(11 561 613)	—	—	—	(12 895 978)	—
Plus: interest income received	131 518	1 232 819	—	—	—	1 364 337	623 310
Net cash flows from investing activities	**(1 202 847)**	**(10 328 794)**	**—**	**—**	**—**	**(11 531 641)**	**623 310**

	General Fund	Other activities: Special Purpose Grants Fund	Other activities: Activities financed by UNDP	After-service health insurance[b]	All funds eliminations	Total 2007	Total 2005
Cash flows from financing activities							
Savings on, or cancellation of, prior-period obligations	3 091	278 959	—	—	—	282 050	119 562
Other adjustments to reserves and fund balances	(151 462)	(495 500)	—	(1 857 000)	—	(2 503 962)	—
Refund to donors	—	(342 139)	—	—	—	(342 139)	(537 886)
Net cash flows from financing activities	**(148 371)**	**(558 680)**	**—**	**(1 857 000)**	**—**	**(2 564 051)**	**(418 324)**
Net increase (decrease) in cash and term deposits	**(1 436 908)**	**(12 143 505)**	**—**	**—**	**—**	**(13 580 413)**	**6 304 181**
Cash and term deposits, beginning of period	**1 437 408**	**12 152 891**	**—**	**—**	**—**	**13 590 299**	**7 286 118**
Cash and term deposits, end of period	**500**	**9 386**	**—**	**—**	**—**	**9 886**	**13 590 299**

[a] See note 3.
[b] See note 4.

The accompanying notes are an integral part of the financial statements.

United Nations Institute for Training and Research — General Fund

Status of expenditures against budget for the biennium 2006-2007 ended 31 December 2007

(United States dollars)

		Expenditures			
Programme	*Approved budget*[a]	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
Geneva headquarters	2 279 000	2 266 900	16 573	2 283 473	(4 473)
New York Liaison Office	575 000	499 884	39 751	539 635	35 365
Training in diplomacy	1 041 000	1 014 133	10 667	1 024 800	16 200
Project extensions	167 000	166 525	1 000	167 525	(525)
Total	**4 062 000**	**3 947 442**	**67 991**	**4 015 433**	**46 567**

[a] Refers to the biennium 2006-2007.

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements

Note 1
United Nations Institute for Training and Research and its activities

(a) The United Nations Institute for Training and Research (UNITAR) was established in 1965 as an autonomous body within the United Nations with the purpose of enhancing the effectiveness of the Organization through appropriate training and research. UNITAR is governed by a Board of Trustees and is headed by an Executive Director. The Institute is supported by voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources.

(b) The mission of UNITAR is to deliver innovative training and conduct research on knowledge systems to develop the capacity of beneficiaries. Building on experience, UNITAR optimizes expertise, information and knowledge-sharing to achieve this mission.

(c) UNITAR training programmes are divided among three thematic units: the Environment Unit, the Peace, Security and Diplomacy Unit and the Governance Unit. Furthermore, the work of the Institute is supported by outposted offices in New York and in Hiroshima, Japan, and a Research Department responsible for developing research activities on knowledge systems conducive to delivering better training.

(d) UNITAR training programmes are presented under the following titles:

(i) Environment Unit

- Environmental Governance
- Chemicals and Waste Management
- Climate Change

(ii) Peace, Security and Diplomacy Unit

- Multilateral Diplomacy
- International Law
- Peacemaking and Conflict Prevention
- Peacekeeping Training

(iii) Governance Unit

- Public Finance and Trade
- E-Governance
- Local development

Note 2
Summary of significant accounting and financial reporting policies of the United Nations Institute for Training and Research

(a) As provided in article VIII of its statute, the UNITAR accounts are maintained in accordance with the Financial Regulations of the United Nations as

adopted by the General Assembly, the rules formulated by the Secretary-General as required under the Regulations, and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the United Nations System Chief Executives Board for Coordination (CEB). The Institute follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by CEB, as shown below:

(i) Going concern consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Institute's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly or the Executive Director. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Financial statements reflect activities of each fund or of a group of the same nature.

(c) The financial period of the Institute is a biennium and consists of two consecutive calendar years.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of the Institute are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the United Nations rates of

exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Institute's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The statement of cash flows is based on the indirect method of cash flows, as referred to in the United Nations system accounting standards.

(h) The Institute's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards to the High-level Committee on Management.

(i) The results of the Institute's operations presented in statements I, II, and III are shown by general type of activity as well as on a combined basis for all funds, after the elimination of all inter-fund balances and instances of double-counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) Income:

(i) Voluntary contributions from donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions to the Special Purpose Grants Fund are recorded as income upon receipt of cash. Voluntary contributions made in the form of services and supplies that are acceptable to the Institute are noted in the financial statements as contributions in kind;

(ii) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities, and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pool are allocated to participating funds;

(iii) Miscellaneous income includes subscriptions to e-learning courses, sale of used or surplus property, refunds of expenditures charged to prior periods, income from net gains resulting from currency translations, settlements of insurance claims, monies accepted for which no purpose was specified and other sundry income;

(iv) Funds received under inter-organization arrangements represent income received from other United Nations agencies in support of the Institute's programmes and allocations of funding for projects or programmes administered by the Institute on their behalf. The allocation income from the United Nations Development Programme (UNDP) is determined taking into account interest and other miscellaneous income against total expenditures;

(v) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income as referred to in item (m) (iii).

(k) Expenditure:

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges as referred to in item (l) (iv);

(iv) Provision to meet contingencies under appendix D to the Staff Rules of the United Nations for personnel is calculated on the basis of 1 per cent of the net base pay and charged to expenditures.

(l) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are similar in nature and are accounted for as set out in item (1) (ii) above. The share in the cash pools is reported separately in each participating fund's statement and its composition and the market value of its investments are disclosed in the footnote to the statement;

(iv) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations under which long lead times are required for delivery;

(v) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the Institute. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in the notes to the financial statements.

(m) Liabilities and reserves and fund balances:

(i) Operating reserves are included in the totals for "reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) "Contributions received in advance" refers to pledged contributions for future periods and other income received but not yet earned;

(iv) Commitments in respect of UNITAR relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations remain valid for 12 months following the end of the biennium to which they relate, except for activities financed by UNDP, which may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists in accordance with UNDP reporting requirements. For activities financed by UNDP, savings on or cancellation of prior-period obligations are credited to individual projects as a reduction of current-period expenditure in accordance with UNDP reporting requirements;

(v) Accrued liabilities for end-of-service and post-retirement benefits, comprising those for after-service health insurance, unused vacation days and repatriation benefits, are, effective 1 January 2006, included as liabilities in the statement of assets, liabilities and reserves and fund balances. Previously, these liabilities had not been recorded, with the exception of the liabilities for unused vacation days and repatriation benefits pertaining to the Special Purpose Grants Fund that had been partially accrued. The change in presentation is made in order to recognize all such liabilities when incurred, and is in accordance with General Assembly resolution 60/255 of 8 May 2006 with respect to recognition of after-service health insurance liabilities (see note 4);

(vi) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vii) UNITAR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. The financial obligation of the Institute to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the date of the current financial statement, the General Assembly has not invoked this provision.

Note 3
Income, expenditure and changes in reserves and fund balances (statement I); assets, liabilities and reserves and fund balances (statement II); cash flows (statement III)

(a) Statements I, II, and III contain financial results for UNITAR that are totalled into four groups of related funds and, after elimination, combined into a grand total reflecting all activities of the Institute. This combined presentation should not be interpreted to mean that any individual fund can be used for any purpose other than that for which it is authorized. The four groups consist of:

(i) The General Fund;

(ii) The Special Purpose Grants Fund;

(iii) Activities financed by UNDP;

(iv) After-service health insurance.

(b) Funds received under the Special Purpose Grants Fund are earmarked for specific projects. The closing fund balance represents expenditures to be incurred in future periods on such projects, with the residual balances, if any, to be returned to donors.

(c) Statement I includes two calculations of the excess or shortfall of income compared with expenditure. The first calculation is based on income and expenditure only for the current period of the biennium. The second calculation shown is a net one, which includes non-budgeted accrued expenses for end-of-service and post-retirement benefits and any prior-period adjustments to income or expenditure.

Note 4
Accrued liabilities for end-of-service and post-retirement benefits

(a) Upon end of service, eligible staff members are entitled to after-service health insurance coverage and to be paid for any unused vacation days up to a maximum of 60 days and repatriation benefits based on the number of years of service. Effective 1 January 2006, all three types of liabilities are fully recognized in the financial accounts. The liabilities have been recorded through an adjustment to reserves and fund balances as shown in statement I. Previously, these liabilities were disclosed in the notes to the financial statements.

(b) In order to gain a better understanding of the financial dimensions of the Institute's liability for after-service health insurance, which is a defined-benefit plan, a consulting actuary was engaged to carry out an actuarial valuation of after-service health insurance benefits. The major assumptions used by the actuary were: a discount rate of 5.5 per cent; health-care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and 5.7 per cent in 2008, grading down to 4.5 per cent in 2012 and later years for medical plans outside the United States of America; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation. On the basis of these assumptions, it is estimated that the Institute's liability as at 31 December 2007 for after-service health insurance benefits is as follows (in United States dollars):

After-service health insurance liability	*Present value of future benefits*	*Accrued liability*
Gross liability	5 745 000	3 163 000
Offset by retiree contributions	(1 436 000)	(792 000)
Net liability	**4 309 000**	**2 371 000**

(c) The figures for the present value of future benefits shown above are the discounted values of all benefits to be paid in the future to all current retirees and active employees who would be eligible for after-service health insurance upon retirement. The accrued liability represents those portions of the present values of benefits that have accrued from the staff members' dates of entry on duty until the valuation date. Active staff members' benefits are fully accrued on the date on which they become fully eligible for benefits.

(d) The Institute's total liabilities for unused vacation days and accrued repatriation benefits has been recorded as at 31 December 2007, and is estimated as follows (in United States dollars):

	Unused vacation days	*Accrued repatriation benefits*	*Total*
General Fund	48 205	71 258	119 463
Special Purpose Grants Fund	410 458	666 211	1 076 669
Total	**458 663**	**737 469**	**1 196 132**

Note 5
Contributions in kind

(a) The United Nations Office at Geneva provided administrative support services including programme planning and budget, payroll, other payments, accounting, treasury, travel and visa processing, personnel, Integrated Management Information System and language training services to UNITAR at no cost. The value of this contribution in kind is estimated at $633,500 for the biennium. In addition, conference-servicing facilities are provided by the United Nations on an as-available basis, free of charge, which was estimated at $110,500, and UNITAR pays only for interpretation services and additional electronic equipment, if required.

(b) The UNITAR Special Purpose Grants Fund received contributions in kind estimated at $307,830 from the Government of Norway for local workshop costs, $113,725 from the Bayelsa State government of Nigeria for vehicles, $111,575 for office costs and $51,765 for vehicles from the Rivers State government of Nigeria, $223,693 from the Hiroshima prefectural government for office costs, $61,934 from Total S.A. for personnel and related costs, $36,726 from Veolia Environment for the new UNITAR logo, $100,000 from the Government of Spain for personnel and $58,588 from Université de la Rochelle for expert services.

Note 6
Non-expendable property

(a) In accordance with the Institute's accounting policies, non-expendable property is not included in the fixed assets of the Institute but is charged against the

current appropriations when acquired. The non-expendable property, valued at historical cost, according to the cumulative inventory records of the Institute, amounted to $512,015 as at 31 December 2007 and $324,794 as at 31 December 2005.

(b) The movement in non-expendable property during the biennium 2006-2007 is summarized as follows (in United States dollars):

Balance as at 1 January 2006	324 794
Acquisitions	110 241
Donations	165 490
Less: write-offs for accidents, theft and damages	—
Less: dispositions	(71 281)
Other adjustment[a]	(17 229)
Balance as at 31 December 2007	**512 015**

[a] Adjustments for expendable items that were previously included as non-expendable property.

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